

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EPA-01 CEQ-01 SOE-02 AID-05 CEA-01  
CIAE-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 LAB-04 SIL-01  
COM-02 /137 W

-----037351 062246Z /73

P 062213Z JUL 78

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 7963

INFO AMCONSUL VANCOUVER POUCH

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E.O. 11652: N/A

TAGS: ELTN, ELAB, CA, US

SUBJECT: ALASKA HIGHWAY - SHAKWAK - PROJECT

EUR/CAN FOR MONROE

1. FOLLOWING IS TEXT OF LETTER RECEIVED FROM MCKINNEY  
(EXTAFF) JULY 5 ENCLOSING DRAFT LETTER SETTING FORTH UNDER-  
STANDING REACHED AT MAY 19 MEETING RE EMPLOYMENT OF US  
CITIZENS ON SHAKWAK PROJECT. COVER LETTER AND TEXT OF  
DRAFT FOLLOW:

2. QUOTE.

DEAR JIM (PLACKE),

ALTHOUGH FOR REASONS I HAVE EXPLAINED TO YOU, WE HAVE NOT  
YET RECEIVED ALL THE CLEARANCES NECESSARY TO CONCLUDE A  
WRITTEN UNDERSTANDING RELATING TO THE EMPLOYMENT OF USA  
RESIDENTS ON THE SHAKWAK PROJECT, I AM ENCLOSING THE DRAFT  
OF A LETTER WHICH WE WOULD SEND AS SOON AS WE ARE IN A  
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POSITION TO DO SO. IT WOULD PROBABLY SAVE TIME IF YOU  
COULD HAVE THIS VETTED NOW ON THE USA SIDE AND CONFIRM TO  
ME THAT IT ACCURATELY REFLECTS THE AGREEMENT REACHED AT THE  
MAY 19 MEETING. I CANNOT PROMISE THAT WE WILL NOT ASK  
LATER FOR CHANGES IN THIS TEXT BUT I AM REASONABLY CONFIDENT  
THAT THIS IS UNLIKELY.

AS TO THE MODALITIES OF CONCLUDING THE EXCHANGE, WHICH WE TERM AN UNDERSTANDING, I HAVE NO STRONG PREFERENCES BUT SUGGEST, IF AGREEABLE TO YOUR SIDE, THAT WE DO IT BETWEEN THE DEPARTMENT AND YOUR EMBASSY HERE, SPECIFICALLY FROM ME TO BOB DUEMLING.

I REGRET THE DELAY WE HAVE ENCOUNTERED IN BRINGING THIS MATTER TO A CONCLUSION BUT AM HOPEFUL THAT WE CAN DO SO WITHIN A FEW DAYS. SIGNED MCKINNEY. UNQUOTE.

3. DRAFT LETTER:

QUOTE. I REFER TO THE EXCHANGE OF NOTES OF JANUARY 11 AND FEBRUARY 11, 1977, CONCERNING THE SHAKWAK PROJECT.

UNDER THAT AGREEMENT, THE UNITED STATES UNDERTOOK TO PAY THE COST OF RECONSTRUCTION OF THAT PORTION OF THE ALASKA HIGHWAY FROM THE YUKON-ALASKA BORDER TO HAINES JUNCTION IN CANADA AND THE HAINES CUTOFF HIGHWAY FROM HAINES JUNCTION IN CANADA TO THE BRITISH COLUMBIA-ALASKA BORDER. IT WAS FURTHER PROVIDED, INTER ALIA, THAT RECONSTRUCTION WORK WOULD BE THE RESPONSIBILITY OF THE DEPARTMENT OF PUBLIC WORKS OF CANADA AND WOULD BE PERFORMED 'UNDER CONTRACTS TO BE AWARDED BY COMPETITIVE BIDDING INsofar AS POSSIBLE AND WITHOUT REGARD AS TO WHETHER THE CONTRACTORS ARE AMERICAN OR CANADIAN.'

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DURING SUBSEQUENT DISCUSSIONS ON THE IMPLEMENTATION OF THE PROJECT, U.S. OFFICIALS EXPRESSED CONCERN (A) THAT UNLESS A CERTAIN NUMBER OF THEIR KEY SUPERVISORY PERSONNEL WERE ALLOWED TO WORK IN CANADA, U.S. CONTRACTORS WOULD BE UNABLE TO BID ON EQUAL TERMS WITH CANADIAN COMPANIES; AND (B) THAT RESIDENTS OF NEARBY ALASKA CENTRES HAD EXPRESSED AN INTEREST IN SECURING EMPLOYMENT ON THIS U.S. FUNDED PROJECT.

IN ITS AIDE MEMOIRE OF MARCH 8, 1978, THE U.S. STATE DEPARTMENT PROPOSED A BILATERAL MEETING TO DISCUSS 'EQUAL EMPLOYMENT OPPORTUNITY' ON THE PROJECT 'IN ACCORDANCE WITH THE 1977 AGREEMENTS'. IN ITS AIDE MEMOIRE OF MAY 1 THE CANADIAN EMBASSY IN WASHINGTON REPLIED THAT CANADA WAS UNABLE TO AGREE THAT IT HAD ANY OBLIGATION TO ENSURE 'EQUAL EMPLOYMENT OPPORTUNITY', BUT AGREED TO AN EARLY MEETING TO DISCUSS METHODS OF MEETING U.S. CONCERNS AS FAR AS POSSIBLE. THAT MEETING WAS HELD IN OTTAWA ON MAY 19, AND THIS LETTER SUMMARIZES THE CONCLUSIONS REACHED.

1. CANADA ACCEPTS THAT, IN ORDER TO FULFILL ITS OBLIGATION

TO ENSURE THAT CONTRACTS ARE AWARDED BY COMPETITIVE BIDDING WITHOUT REGARD AS TO WHETHER THE CONTRACTORS ARE AMERICAN OR CANADIAN, A CERTAIN NUMBER OF 'KEY SUPERVISORY PERSONNEL' EMPLOYED BY SUCCESSFUL U.S. CONTRACTORS WILL HAVE TO BE ADMITTED. ACCORDINGLY, IT WAS AGREED THAT FOR EACH CONTRACT THE ADMINISTERING AGENCIES (DEPARTMENT OF PUBLIC WORKS OF CANADA AND THE FEDERAL HIGHWAY ADMINISTRATION OF THE UNITED STATES) WOULD DESIGNATE, AND SPECIFY IN THE TENDER DOCUMENT, BETWEEN 3 AND 10 POSITIONS (DEPENDENT ON THE SIZE OF THE CONTRACT) AS 'KEY SUPERVISORY PERSONNEL' WHICH A SUCCESSFUL U.S. BIDDER WOULD BE ALLOWED TO BRING INTO CANADA FOR THE DURATION OF THE CONTRACT.

2. U.S. AND CANADIAN CONTRACTORS WOULD BE EQUALLY LIMITED OFFICIAL USE

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ENTITLED, ON A CLOSELY CONTROLLED BASIS, TO ENGAGE U.S. LABOUR FOR WORK ON THE PROJECT. IN ORDER TO ENSURE THAT U.S. CITIZENS RESIDENT IN ALASKA WOULD BE GIVEN AN OPPORTUNITY TO SEEK EMPLOYMENT ON THE PROJECT, THE FOLLOWING FORMULA WAS AGREED UPON FOR THE ADMISSION OF U.S. WORKERS NOT INCLUDED IN THE 'KEY SUPERVISORY PERSONNEL' CATEGORY:

(A) WITHIN TWO ZONES AT EITHER END OF THE PROJECT LYING WITHIN 160 ROAD KILOMETRES (100 MILES) OF HAINES, ALASKA, AND TOK JUNCTION, ALASKA, RESPECTIVELY, AT LEAST 85 PERCENT OF THE TOTAL EMPLOYMENT ON THE PROJECT SHALL BE GIVEN TO CANADIANS.

(B) IN THE ZONE BETWEEN THE TWO ZONES DESCRIBED IN (A) ABOVE, AT LEAST 95 PERCENT OF THE TOTAL EMPLOYMENT SHALL BE GIVEN TO CANADIANS.

(C) BEFORE LETTING EACH CONTRACT, THE TWO ADMINISTERING AGENCIES, IN CONSULTATION WITH THE CANADA EMPLOYMENT AND IMMIGRATION COMMISSION, SHALL DETERMINE WHAT PERCENTAGE OF U.S. LABOUR SHOULD BE ADMITTED FOR THAT CONTRACT. THIS LIMITED OFFICIAL USE

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QUOTA SHALL BE SPECIFIED IN THE TENDER DOCUMENT. UNDER NO CIRCUMSTANCES SHALL MORE THAN 50 PERCENT OF THE EMPLOYMENT UNDER ANY ONE CONTRACT BE GIVEN TO U.S. RESIDENTS, AND THE PERCENTAGE OF TOTAL EMPLOYMENT GIVEN TO U.S. RESIDENTS IN ALL CONTRACTS WITHIN EACH ZONE SHALL BE WITHIN THE LIMITS SPECIFIED IN (A) AND (B) ABOVE.

(D) WHERE A CONTRACT OVERLAPS THE BOUNDARIES OF A ZONE, THE ADMINISTERING AGENCIES SHALL HAVE DISCRETION IN WHICH ZONE TO CONSIDER IT.

3. IT IS THE INTENTION OF THESE ARRANGEMENTS THAT, OVER THE ENTIRE PROJECT, EXCLUSIVE OF KEY SUPERVISORY PERSONNEL, A MINIMUM OF 90 PERCENT OF THE EMPLOYMENT SHALL BE GIVEN TO CANADIANS.

4. THIS ARRANGEMENT SHALL NOT CONSTITUTE A PRECEDENT FOR ANY OTHER PROJECTS UNDERTAKEN IN CANADA.

5. IT IS UNDERSTOOD THAT THE HIRING OF UNITED STATES LABOUR UP TO THE SPECIFIED LIMITS ON SUCH HIRING IS PERMISSIVE AND NOT MANDATORY.

IF YOU AGREE WITH THE FOREGOING, I HAVE THE HONOUR TO PROPOSE THAT THIS LETTER AND YOUR REPLY TO THAT EFFECT SHALL CONSTITUTE AN UNDERSTANDING BETWEEN OUR TWO GOVERNMENTS ON THIS MATTER. UNQUOTE.

4. DEPT'S INSTRUCTIONS REQUESTED. ENDERS

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## Message Attributes

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